

**MUNICIPAL ASSISTANCE PROGRAM  
FOR THE  
CITY/DISTRICT OF SARAJEVO  
FEDERATION OF BOSNIA-HERZEGOVINA**

**TRIP REPORT/WORK PLAN**

**OCTOBER 1995**

Prepared for

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Prepared by

Charles S. Anderson  
ICMA

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION  
Municipal Development and Management Programs  
USAID Contract No. PCE-1008-00-Q-00-5002-00  
Delivery Order #1

## **INTRODUCTION**

Mike Murphy and Chuck Anderson from ICMA and David Olinger with USAID traveled to Sarajevo during the period October 25 through October 30 for the purpose of refining the scope of work for Delivery Order No. 1 under the USAID contract PCE-1008-Q-5002-00(Municipal Development and Management), and to prepare a corollary Work Plan for the Municipal Assistance Program for the City/District of Sarajevo. This report will provide the results of that effort. Scott Johnson, USAID representative for Public Administration Reform in Central and Eastern Europe and based in Bucharest, accompanied us and participated in the field visits.

The trip visit was successful in large measure because of the positive and productive reception, access and information provided us by Messrs. Okeric and Luckin and their colleagues with whom we met and who are identified in Appendix A. We were greatly impressed by the knowledge, energy, enthusiasm and commitment to change demonstrated by these outstanding men and women. Given that there are many priority issues with which to deal regarding the continuing war conditions within their City and the plans for post-war reconstruction, we were encouraged by their strong support for USAID assistance through ICMA under the Municipal Development and Management (MDM) contract.

## BACKGROUND

It is well known that Sarajevo has a tradition of ethnic and religious diversity and tolerance, superior education, excellent cultural opportunities, economic vitality and effective local self-government. This history stands in stark contrast to the City's current tragic plight of ethnic trauma and physical and human devastation and suffering. However, it is precisely because of its vibrant history that Sarajevo's future could be bright as the peace accords are resolved and the resources and mechanics of reconstruction get underway. Their elected and appointed local leadership is actively engaged in shaping an important future for the new Federation of Bosnia-Herzegovina with Sarajevo as its capital city. The task ahead of them is extraordinarily complex and full of difficulties and risks, but presently appears achievable, given appropriate resources, technical assistance and local leadership.

USAID and ICMA have an important opportunity to contribute to the reconstruction and strengthening of Sarajevo through the MDM contract and other contract vehicles. For this assistance to be beneficial in both the short term and longer term, however, the work must evolve from an understanding of the historical and contemporary context and circumstances facing and affecting the City.

**Political Issues.** The outcome of the political issues and opportunities surrounding the peace discussions in Dayton, Ohio is unclear, and may well remain unclear for many months. This should not deter our efforts with assistance, but does underscore the importance of our work to strengthen the current environment and allow the City/District to be more amenable for both technical assistance and capital assistance. Our work could substantially contribute to ethnic reconciliation and economic recovery, as well as a stable and productive local environment for governance and professional management of the delivery of public services. The principal political issue affecting Sarajevo in the Dayton negotiations, and which will influence the shape of the city organization and system of service delivery, is whether or not the city will be divided ethnically or unified with freedom of movement and access to the various municipal districts by all ethnic groups.

**Economic Issues.** Following our discussions with many local officials, it is evident that among the highest priorities is to achieve a consensus around a strong, compelling vision and strategy for post-war economic recovery. The pre-war economic base and production infrastructure are virtually gone. About 20% of pre-war production is functioning. The highly skilled work force which is depleted due to emigration and/or military service, are not being paid. Cash/currency is leaving Sarajevo for safe financial havens and the banks are doing little more than taking the small supply of money (from expatriate NGO's, etc.) and investing outside the country. It is estimated that 15% or less of the current population of Sarajevans have enough cash to purchase goods/services. Many of them are working for foreign NGO's or the UN.

If the peace accords are achieved and remain durable, the infusion of outside capital (especially from NGO's) should be extensive and soon. Accordingly, economic planning now is essential. The Vice President for Finance/Economic Development for the City/District sees four principal and immediate tasks: restart the industry (but only the clean, non-polluting industry); demobilize a substantial number (about 1/3) of the men and women in the military and get them meaningfully employed; retain the existing population and encourage those that left to return for employment; influence price reductions through increased competition. The immediate requirement for industrial products are consumable goods, i.e. food products, clothing, shoes, cosmetics, hygienic goods.

A strong marketing campaign will be required to convince western investors that Sarajevo is not a third world economy, but is worth the risk and has all the necessary resources to make a business investment sound. However, the biggest boost to the economy will come from international confidence in a durable peace.

City officials have tasked two of the Institutes, which they call their "think tanks," to develop alternative economic development strategies. Currently there are neither U.S. nor European advisors assisting in this area directly with the City/District of Sarajevo. President Okeric and Vice President Luckin indicated strong interest in USAID assistance in this area.

**Housing Issues.** While housing is not the direct or principal focus of this Delivery Order, clearly an awareness of the context of the need and opportunity is essential. And, our assistance will indirectly support housing reconstruction through a more efficient and effective internal administrative and management system, together with infrastructure support, for housing from the various City Departments and Institutes.

About 55% of the approximate 100,000 housing units in Sarajevo are state-owned, the rest privately owned. The current strategy of the local officials is to privatize most of the housing stock as soon as possible. It is estimated that of the approximate 40,000 "social" and publicly administered housing units outside of the Serb-controlled areas, 50% are either destroyed or in need of substantial repairs. Based on an assessment made by city staff, there is an estimated total of \$1.8 billion needed to rebuild housing to its former state. This estimate does not include the Serb-controlled areas.

Condominium formation and property management/maintenance will be areas of important need during the reconstruction process. USAID's successful technical assistance in this area within other Central and Eastern European countries may be appropriately replicated and introduced in Sarajevo.

**City/District Institutional Issues.** The present population of Sarajevo is estimated to be 350,000 which is approximately 200,000 less than the pre-war population. A substantial portion of the current population are refugees, principally those who have fled from their agrarian villages for greater safety in the City. However, many of these people are not accustomed to, nor comfortable within, an urban environment and may emigrate out of the city when the circumstances allow. Accordingly, the overall population level and mix to be served by the City/District are difficult to predict.

Appendix B is an illustration of the current organizational structure for the City/District of Sarajevo. This structure is essentially the same as the pre-war model used within the former Yugoslavia. Before the war the City Parliament had 120 deputies, and now without Serb representation there are 92 deputies with 48 required for a quorum. The deputies represent eight political parties elected from the City's ten Municipalities, one of which is fully under Serb control(Pale). The Chair of the Parliament(Mayor) is elected by the Parliament.

The Municipalities are governed by Councils with members elected from 80 communities or neighborhood councils which are historic and fundamental pillars of the representative process in Sarajevo. The Municipalities are creatures of the City/District and derive their powers, responsibilities and revenue resources from the City. However, there is a growing discussion/debate over the relative sharing of service delivery responsibilities between the City/District and the Municipalities. ICMA will address this issue in our proposed Work Plan.

The City/District administrative organization is divided into twelve Secretariats(Departments), nine public enterprises/utilities and four Institutes. Management is provided through an Executive Board chaired by a President(CEO) and which includes four Vice Presidents, each of whom has sectoral responsibilities for one or more of the Secretariats(Departments). While the President(CEO) and the Vice Presidents have responsibility for personnel, their nominations for principal officials must be confirmed by the Parliament. The confirmation process includes substantial involvement by the various political parties.

Note that the organizational chart in Appendix B does not include authority/reporting lines or relationships. While certain lines of authority and relationships are clear and working, most are not clear(or the formal line is different from the informal) and need a thorough examination as a part of a technical assistance program. Who reports to whom, when and for what purpose are issues fundamentally related to a new and more efficient and effective organizational design.

The objectives and responsibilities for the four Institutes are subjects for our technical assistance. These organizations are not institutes in the western tradition in that they are created by and receive their funding from the City/District and their work is subject to the approval of Parliament and the Executive Board. The Sarajevo officials refer to them

as their "think tanks" and, accordingly, they probably do provide some independent examination and advice. So, a part of our mandate for technical assistance will be to explore alternative ways of optimizing their effectiveness.

The estimated number of pre-war employees, including the utilities/enterprises, is 7200. This does not include employees of the ten Municipalities which have an estimated combined total of 2000 employees. The current estimate for the City/District is 2500, most of whom are not being paid. In addition to a revenue stream for salaries, there is an important need for a comprehensive review of procedures for position classification, compensation and performance evaluation.

Appendix C illustrates a summary of pre-war(1991) expenditure/revenues for the City/District, excluding the utilities/enterprises. Note that the summary statement indicates that the City's revenue base is heavily dependent upon transfer payments from the Central Government and some traditional sources of revenue in western countries, i.e. business permits, were not used under the former socialist system. The Sarajevo officials believe that finance/budgeting assistance is among the highest priorities for USAID/ICMA assistance.

An interesting, unusual(relative to other Central/Eastern European Countries) and important practice is the use of referenda for capital project approval and debt financing. Sarajevo's pre-war experience with this practice will serve it well as their financial management system matures and the officials commence to seek long term credit financing from local, national and global investors.

## **PROPOSED WORK PLAN**

The following Work Plan is designed to be commenced in January, 1996, and to be completed no later than August 31, 1996. Other elements will be considered for inclusion in the Work Plan circumstances permit.

**TASK 1/Organizational Audit/Reorganizational Plan.** The objective of this task is to conduct a comprehensive analysis of existing conditions within the organizational structure, authority relationships, reporting relationships, communication patterns(formal and informal), departmental functions and procedures (formal and informal), and the roles and responsibilities of the four Institutes and ten Municipalities and their relationships to the City/District of Sarajevo. Following this analysis a proposed plan for alternative ways of organizing, administering and managing will be developed and submitted to the senior management. The goal of this task is to increase efficiency, effectiveness and productivity in the process of governance, management and the delivery of services. The following work components for this task will be undertaken:

1) **Governance.** Messrs. Okeric and Luckin have requested a review of and alternatives for a new form of governance with corollary responsibility/ authority/reporting relationships for the City/District of Sarajevo within the new Federation. This will include the manner of electoral representation, powers of taxation, regulation, etc. and the selection of the Chief Executive Officer(President/Mayor) and the corresponding division of responsibilities for governance/management of the City/District between the Parliament and the Chief Executive Officer and his/her Cabinet of senior managers.

2) **Chief Executive Officer(President/Mayor).** A review of alternative management roles and responsibilities for the CEO and his/her senior managers will be conducted with recommendations for change. This will include the appropriate array of responsibilities assigned to the various Vice-Presidents; their authority to act, including appointment/performance review/termination authorities for subordinate staff; frequency/manner of working together as a Cabinet/Management Team, etc. A one-day seminar for senior managers to introduce them to alternative forms of governance and organization may be appropriate.

3) **Secretariats(Departments).** A comprehensive review of the current number and responsibilities assigned to the various Secretariats will be undertaken with recommendations for change or retention of the current situation. This will include an analysis of all current responsibilities delegated and assumed and the manner in which the various Secretariats coordinate and communicate with each other. Recommendations for alternative ways of assigning responsibilities and managing/communicating laterally between and among the Secretariats will be developed.

4) **Institutes.** The four City Institutes will be reviewed in detail, including their purpose, roles, responsibilities and relationships to the Secretariats and the Senior Management. Recommendations for retention of the current situation or change will be developed.

5) **Municipalities.** The ten Municipalities have historic ties to Sarajevo's system of governance, service delivery, ethnic harmony and the manner of connecting and relating to the citizens. Accordingly, their roles, responsibilities and relationships to the City/District within the new organizational plan will be critical components for the emerging foundation of ethnic reconciliation and democratic institutions. However, issues of efficiency and effectiveness in service delivery are also important and will be examined in order to avoid in so far as possible duplication, overlap and excess personnel and costs between the Municipalities and City/District.

**Schedule of Work.** It is proposed that this task be divided into two phases. The on-site work for phase 1 will commence on or about January 8 and conclude on or about January 28 with a trip report delivered to USAID and the City/District of Sarajevo no on or before March 1. Phase 1 will provide a comprehensive diagnostic report on the current organizational situation, together with preliminary alternatives for a reorganizational plan. Phase 2 to be commenced on or about April 1 will verify and confirm data gathered in Phase 1 and refine and complete the set of alternative considerations for the reorganizational plan. This work should be completed by April 20 with the final report delivered by June 1.

**TASK 2/Intensive Technical Assistance.** The budget for this Delivery Order allows for intensive technical assistance in two administrative and/or service delivery areas. Messrs. Okeric and Luckin view finance/budgeting and the operation/management of the enterprises(utilities) as the highest priorities. It is proposed that ICMA focus on finance/budgeting and the solid waste collection/disposal utility. Accordingly, technical consultants will be assigned to conduct an analysis and provide alternatives for change in the following areas:

1) **Finance/Budgeting.** The range of activities to be examined include the methods of assigning, recording and reporting costs; revenue forecasting; decision-making process by Parliament to identify/agree on budget program priorities; citizen involvement and participation; departmental expenditure control/reporting techniques; and methods to measure performance outcomes against budgeted revenue/expenditure targets. ICMA will also examine the state of the underlying accounting and cash management system to see if they are complementary to the budgeting process and provide sufficient transparency/accountability for full disclosure to all interested groups, i.e. governing body, citizens and interest groups, financial credit markets. The presence or need for outside, independent audits will be examined. Transfer payments from the Central Government and possible new sources of revenue will be reviewed along with the current and prospective ways of allocating revenue resources between the City/District and the ten Municipalities.

**Schedule of Work.** On-site work for finance/budgeting will commence and conclude concurrently with Task 1, Phase 1 with a trip report delivered on or before March 1. A second visit will follow Study Tour #2 during which representatives from the City's Finance Secretariat will visit counterpart staff in the U.S.

2) **Solid Waste Collection/Disposal Utility.** The range of activities to be examined will include internal operating/management processes and procedures; personnel selection and training programs; safety programs and performance; refuse collection route design for both residential and commercial collection; refuse collection rate structure; billing and collection procedures; recycling potential; number and allocation of labor force and



related costs; vehicle operating costs; vehicle maintenance programs; refuse disposal methods and operating costs; related environmental issues.

**Schedule of Work.** On-site work for the solid waste utility will commence and conclude concurrently with Task 1, Phase 1. A trip report will be delivered on or before March 1. A second visit will occur following Study Tour #2 during which representatives from the City's Solid Waste Utility will visit counterpart staff in U.S. cities.

**TASK 3/Study Tours.** Two Study Tours are planned for the staff in the City/District of Sarajevo to acquaint them with best practices in their technical areas from counterpart staff in U.S. cities/counties. The on-site work during Tasks 1 and 2 should prepare the study tour participants to optimize their experience in the U.S.

### **Schedule of Work**

**1) Study Tour #1.** ICMA will bring ten or more senior management officials to the U.S. on or about January 22 through February 3rd to visit counterpart staff in Richmond, VA; Virginia Beach, VA; Arlington County, VA; and Pittsburgh, Penn. Participants will be selected from those most important in the reorganization process. The focus of this tour will be on organization/management issues within specific departments related to the department(secretariat) responsibilities of the tour participants. Examples of the kinds of issues/activities to be addressed: management relationship with the City/County Manager(CEO); authority/responsibility for personnel management(hiring, evaluating, promoting, terminating); types of functions performed and services delivered and how they are organized; number and type of staff; supervisory/subordinate ratios; training programs; communication patterns between and among other departments with related service or support activities; budget management and expenditure monitoring and control; performance indicators and measures; uses of computer technology for management performance; techniques for involving citizens in program priorities/evaluation of departmental service delivery.

**2) Study Tour #2.** ICMA will bring ten technical staff to the U.S. on or about March 4 until March 15 to meet with counterpart staff in U.S. counties/cities. The focus of this study tour will be on the technical areas of finance/budgeting and the operation/management of the solid waste collection/disposal utility. Examples of the kinds of issues/activities which will be included in the tour are given in Task 2 described above. As with Study Tour #1, the on-site technical work prior to Study Tour #2 should be good preparation for the tour participants when they meet with their counterpart staff in the U.S.

**TASK 4/Technical Twinning.** ICMA has excellent experience in twinning cities in the U.S. with cities in other countries for the purpose of exchanging technical information,

expertise and capital equipment. We propose to promote this approach for Sarajevo and interested cities/counties in the U.S. Commencement of this process will occur with the Study Tour #1.

**TASK 5/City Information Center.** ICMA will provide a library of technical documents with computer support. Materials provided will be those judged to be most pertinent to city officials as they reorganize the administrative structure and commence the economic transformation to a market-based economy.

**Schedule of Work.** Equipment has been procured and is being shipped to USAID/Zagreb. The equipment will then be delivered to Sarajevo. The technical material will be delivered in incremental shipments commencing in January, 1996.

### **NEXT ACTION STEP**

Chuck Anderson is scheduled to be in Sarajevo, if travel clearance is approved, on December 5/6, to meet with Messrs. Okeric and Luckin. The purpose of the visit is to confirm agreement on the protocols and work plan; make final plans for Study Tour #1 in terms of participants and itinerary; and make preparations for the technical consulting team in January for work associated with Task #1 and #2, including the collection of pertinent information and documents necessary for the team's work. Also, an agreement will be concluded with a local professional to provide translation/interpretation and technical support for the duration of this project.

**LIST OF CONTACTS**

|   |   |
|---|---|
| <b>Mr. Sevkija Okeric</b>                 | President of the City Executive Board (CEB)               |
| <b>Mr. Esad Luckin</b>                    | Vice President of the CEB                                 |
| <b>Mr. Ante Zelic</b>                     | Vice President of the City Council                        |
| <b>Mr. Muhamed Zlatar</b>                 | Vice President of the CEB/Reconstruction                  |
| <b>Mr. Zlatan Bakranin</b><br>Development | Vice President of the CEB/Finance and Economic            |
| <b>Mr. Nermin Pecanac</b>                 | Vice President of the CEB/Housing and Utilities           |
| <b>Mr. John Fawcett</b>                   | Special Coordinator for Sarajevo (SCS)<br>Special Advisor |

City/District of Sarajevo

Governing  
Body

|   |                 |
|---|-----------------|
| Parliamentary President (Mayor)           | Tarik KUPUSOVIC |
| Parliamentary Vice-President (Vice Mayor) | Anle ZELIC      |
| President of the Executive Board          | Sevkija OKERIC  |

CEO

Senior  
Management

|                               |                                  |  |                               |
|-------------------------------|----------------------------------|--|-------------------------------|
| Vice President Administration | Vice President Economy & Finance | Vice President Urbanization & Technical Services | Vice President Reconstruction |
| Esad LUCKIN                   | Zlolko BAKRABUB                  | Neirrin PECANAC                                  | Muhammed ZLATAR               |

Secretariates  
(Departments)

|                 |                              |                          |                  |               |               |                       |  |                       |                           |                   |                   |
|-----------------|------------------------------|--------------------------|------------------|---------------|---------------|-----------------------|--|-----------------------|---------------------------|-------------------|-------------------|
| Administration  | Finance/Economic Development | Urbanization & Utilities | Housing          | Traffic       | Local Imports | Secretary Health      | Secretary Education, Science & Culture | Secretary Inspections | Secretary Social Security | Secretary Defense | Secretary Justice |
| Miro VLASKOVA C | Nusret PIGUDA                | Sald JAMAKOVIC           | Jusul ZAHIRAGI C | Mijana STANIC | Ferki ISOVIC  | Dr. Muhamed SARACEVIC | Fahrudin ISAKOVIC                      | Cesir HENLERON AN     | Raskin KADIC              | Akil POLJAK       | Fouad BABIC       |

Utilities/  
Enterprises

|                   |                  |                   |  |                   |             |                |                |   |
|-------------------|------------------|-------------------|--|-------------------|-------------|----------------|----------------|---|
| Water & Sewerage  | District Heating | Gas               | Public Works Departments (Solid Waste) | Public Transport  | Cemeteries  | Parks          | Markets        | National Electric Utility (City Office) |
| VOSOVID           | TOPLANE          | SARAJEVO GAS      | RAD                                    | GRAS              | POKOP       |                |                |   |
| Farudin PILAVDZIC | Oabuj HADIABDIC  | Salih SELMANOVICH | Mirsad KEBO                            | Ibrahim JUSUFRANC | Vlado RAGUZ | Satel HARBINUD | Farla VELIBASI |   |

Institutes

|                          |              |                      |         |
|--------------------------|--------------|----------------------|---------|
| Information & Statistics | Construction | Planning/Development | Culture |
|--------------------------|--------------|----------------------|---------|

|                       |                |                       |                  |              |      |        |                  |               |         |        |
|-----------------------|----------------|-----------------------|------------------|--------------|------|--------|------------------|---------------|---------|--------|
|                       | Haris<br>IRNKA | B.<br>IZETBEGOVI<br>C | Amed<br>KAPIDZIC |              |      |        |                  |               |         |        |
| <u>Municipalities</u> | CENTAR         | HADZICI               | ILIDZA           | NOVI<br>GRAD | PALE | TRNOVO | NOVO<br>SARAJEVO | STARI<br>GRAD | VOGOSCA | ILIJAS |

Appendix C

**SUMMARY INCOME AND EXPENDITURE STATEMENT**  
**CITY OF SARAJEVO, 1991**

**A. SUMMARY DATA**

Following are summary data for income and budgeting expenditures by major category for Sarajevo during 1991, the last year during which normal city financial operations occurred. Fuller explanations of some items follow the summary. All figures are presented in US\$; the prevailing exchange rate in June 1991 was \$1 = 23.4 dinars.

**INCOME**

| <u>Item</u> | <u>Description</u>                | <u>Amount</u> | <u>% of Total</u> |
|-------------|-----------------------------------|---------------|-------------------|
| 720         | Salary tax                        | 4,375,439     | 28.1%             |
| 732         | Purchase/trade tax                | 6,698,688     | 43.1%             |
| 734         | Municipal service tax             | 128,150       | 0.8%              |
| 748         | Misc. Fees                        | 260,572       | 1.6%              |
| 750         | City stamp tax                    | 850,363       | 5.4%              |
| 751         | Communal use tax                  | 105,647       | 0.6%              |
| 770         | Common consumption/allowances tax | 1,174,737     | 7.6%              |
| 721         | Private artisans' tax             | 742,594       | 4.7%              |
| 722         | Royalty tax                       | 305,054       | 2.0%              |
| 723         | Private farming tax               | 40,957        | 0.3%              |
| 735         | Property sales tax                | 420,221       | 2.7%              |
| 740         | Property rental tax               | 81,215        | 0.5%              |
| 741         | Inheritance tax                   | 68,473        | 0.4%              |
| 743         | Excess income tax                 | 5,382         | 0.01%             |
| -----       |                                   |               |                   |

|                  |                   |        |
|------------------|-------------------|--------|
| Subtotal         | 15,257,492        | 98.1%  |
| Previous balance | 300,100           | 1.9%   |
| -----            |                   |        |
| <b>TOTAL</b>     | <b>15,557,592</b> | 100.0% |

## BUDGET EXPENDITURES

| <u>Item</u> | <u>Description</u>                                 | <u>Amount</u>     | <u>% of Total</u> |
|-------------|--|-------------------|-------------------|
| 40          | City Administration                                |                   |                   |
|             | a. Salaries  | 5,281,377         | 34.0%             |
|             | b. Running costs                                   | 1,610,306         | 10.4%             |
|             | Item subtotal                                      | 6,891,683         | 44.4%             |
| 41          | Salaries and expenses for elected officials        | 2,174,517         | 14.0%             |
| 42          | National defense contributions                     | 239,351           | 1.5%              |
| 43          | Contributions to civic orgs.                       | 435,925           | 2.8%              |
| 44          | Transfers to municipalities                        | 85,434            | 0.6%              |
| 45          | Social Orgs.: culture, sport, etc.                 | 81,974            | 0.5%              |
| 46          | Political parties, trade unions, etc.              | 687,740           | 4.4%              |
| 47          | Reserves   | 342,817           | 2.2%              |
| 48          | Municipality running costs, banking services, etc. | 4,575,436         | 29.5%             |
| <hr/>       |  |                   |                   |
|             | <b>TOTAL</b>                                       | <b>15,514,877</b> | <b>100.0%</b>     |

### B. Income Items

About 80% of the city's income under the previous regime derived from items 720, 732, and 770 above, all of which were paid by employers and businesses to the national government, which then remitted fixed percentages of collections from city and municipal jurisdictions to the relevant local authorities. The salary taxation system (item 720) in the former Republic was fairly complex. Employers paid 83% over and above employees' salaries as contributions to national social welfare funds, plus a salary tax that was remitted to local authorities. The purchase/trade tax (essentially a sales tax) was also collected by national authorities based upon a range of eight tariffs assessed against various categories of items. Local authorities were entitled to 30% of all collections. The common consumption tax was paid by employers to national government on food, transportation and holiday allowances provided to employees. Again, local authority shares in these taxes were remitted from the center.

Another income item of interest, no. 721, was the tax on private artisans. Before the war, there were more than 15,000 registered private enterprises in Sarajevo; there are now about one-tenth that number. Private entrepreneurs paid their contributions to national social welfare funds as well as income tax through "social accountancy" bureaus, which transmitted appropriate shares of collections to national and local authorities. City officials suggest that the amount of revenue collected through this item was probably not commensurate with real private income, because of under reporting.

Several sources of income common in western cities, including business licenses and real property taxes or rates, were not present in Sarajevo under the former Republic. In addition, the city did not invest its funds.

### **C. Expenditures**

It is unclear to what degree, in 1991, the city budget included payments of salaries for employees of the nine city-owned or -controlled public enterprises. The number of subventions from the City budget to enterprises appears to have varied from year to year; the city was also required to assist with the loan repayments of at least one of the enterprises in recent years.

The city has historically raised capital for investment in a number of ways. From the early 1970s, four-year programs of public works were proposed for funding through donations ratified by referendums. This system approximates special assessments common in the U.S. The city has also secured international loans from the World Bank and other sources for several projects including investments associated with the 1984 Winter Olympics.



Ms. Sharon L. Zavestoski  
Contracting Officer  
USAID  
M/OP/ENI/EPE  
320 21st Street, N.W.  
Washington D.C. 20523

Re: Contract EUR--0034-C-00-2034-0

Dear Ms. Zavestoski:

This letter with attachments is ICMA's proposed no cost extension request for funds/LOE for the option year contract cited above from April 30, 1996 until December 31, 1996. Your favorable consideration of this request will be appreciated and which will allow ICMA to continue and complete the USAID work programs within each country in which ICMA and the Urban Institute have been working in Central and Eastern Europe.

The reasons for the no cost extension request vary by country and are described in the country specific narratives included in Attachment 1. In summary, the reasons include delays driven by in-country local and central government elections (with potential changes in policy direction and local interest); specific changes to original scopes of work required by changing circumstances and new data determined in the field; and some impact from the recent Congressional budget discussions, including the partial furloughs of many USAID personnel.

However, none of the above reasons have affected adversely or negated the need and capacity to produce deliverables which address the strategic objectives, including measurable impacts/outcomes established by USAID. More time is simply needed to complete the tasks.

Attachment 1 is a narrative description of each country's work program and the effect of the proposed no cost extension of option year funds/LOE. We also address expected impacts/outcomes from this effort

Attachment 2 is a spreadsheet which illustrates the current status of RFS's by country and our estimate for remaining funds/LOE by April 30, 1996, and our proposed extension plan to December 31, 1996.

Please contact me at 202 962 3518 or Vickie Brooks at 202 962 3504 if you have questions or need additional information. Thank-you and we will appreciate your early response to our request.

Sincerely,

Charles S. Anderson  
Director/Central & Eastern  
European Programs

c: Nancy Hooff  
Wendy Graham